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SIPDIS

SENSITIVE

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SUBJECT: MADURO GETS POLITICAL LIFT FROM SUSPENSION OF
NICARAGUA 35 PERCENT TARIFF

REF: TEGUC 00606

1. (SBU) The news of the Nicaraguan Congress' vote to temporarily suspend the retaliatory 35 percent tariff on Honduran goods, after three years, was greeted with relief and a bit of triumph in Tegucigalpa. On March 11, Honduran President Maduro immediately announced the news, after receiving a call from Nicaraguan President Bolanos. Maduro thanked Bolanos and the Nicaraguan legislature, and indicated that the move was a welcome backdrop to the Central American Presidents' planned meetings in Washington on April 11, where regional integration was the key topic. Maduro also gave significant credit to the patience and maturity of the Honduran public and the National Congress. Privately, at least one member of the Honduran Cabinet has acknowledged that USG discussions with Nicaragua contributed greatly.

2. (SBU) The tariff suspension represents a badly-needed political success for Maduro. The Honduran media highlighted the fact that Maduro had made this a top objective from his first day in office and that he had been in constant discussion with Bolanos on the subject for the past year. Hopefully, this recent cooperation between the executive branch, Congress and private sector will help bolster additional support for the critical tax and austerity measures that will soon be introduced in Congress.

3. (SBU) Minister of the Presidency Luis Cosenza, Trade Minister Norman Garcia and key members of the business community believe that the Honduran Congress will drop their earlier plans to enact (and simultaneously suspend) retaliatory tariffs and fees on Nicaragua. The government is arguing that if the Nicaraguan tariff is reinstated at any point, the Honduran Congress could easily take moves at that time.

Palmer